Power Purchase Agreement

between

Puget Sound Energy, Inc.

and

Hutchinson Hydro, LLC

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POWER PURCHASE AGREEMENT

This Power Purchase Agreement (this "Agreement"), dated as of October 1, 2006, is made by and between Puget Sound Energy, Inc., a Washington corporation ("Puget"), and Hutchinson Hydro, LLC, a Washington limited liability company ("Company"). Each of Puget and Company is sometimes referred to herein in the singular as a "Party" and in the plural as the "Parties."

RECITALS

- Puget is an investor-owned electric utility company and is interested in acquiring a firm supply of electric power at a reasonable cost.
- Company owns and operates a hydroelectric generating project located В. on the City of Bellingham's Nooksack River Diversion System, as more particularly described in the hydropower license exemption issued under the Federal Power Act by the Federal Energy Regulatory Commission for Project No. 7747-000. Company intends to continue to own and operate such project and desires to sell to Puget the net electrical output generated from such project pursuant to the terms and conditions of this Agreement.
- C. The nameplate rating of such project's generators is one (1) megawatt, and the output of such project is expected from time to time to exceed (1) megawatt. Company has elected not to participate in Puget's competitive bidding solicitation.
- Puget also considers the purchase of the output of such project to be the D. purchase of firm power, and that the project meets the definition of a "Firm Resource" under the Pacific Northwest Coordination Agreement.

AGREEMENT

The Parties therefore agree as follows:

Section 1. **Definitions**

Whenever used in this Agreement, the following capitalized terms shall have the following respective meanings, unless the particular context clearly requires a different meaning:

- "Agreement," "Puget," "Company," "Party" and "Parties" have the 1.1 respective meanings set forth above.
 - 1.2 "Commencement Date" means 0000 hours on October 1, 2006.

- 1.3 "Construction Activities" means all design, engineering, procurement, construction and other activities related to the inspection, testing, repair, replacement, improvement, alteration, modification, licensing or permitting of, or addition to, the Project and to the acquisition or preservation of rights in the Project property, together with all activities to be performed by Company for the continuation of interconnection of the Project with Puget's electric system.
 - **1.4** "Excusable Delay" has the meaning set forth in paragraph 5.1.
- **1.5** "**FERC**" means the Federal Energy Regulatory Commission or any successor regulatory authority.
- **1.6** "**FERC Order**" means the license, or exemption from licensing, under the Federal Power Act issued by FERC for the construction, operation and maintenance of the Project, as amended from time to time.
- **1.7** "**Indemnitees**" means Puget, its successors and assigns, and the respective directors, officers, shareholders, employees, agents and representatives of Puget and its successors and assigns.
 - **1.8** "Member" means any party to the WECC Agreement.
- 1.9 "Monthly Energy" means electrical output actually delivered from the Project to the Point of Delivery, adjusted for losses pursuant to paragraph 3.6, during any month during the Operating Period.
- **1.10** "Operating Period" means the period commencing at 0000 hours on October 1, 2006, and, unless sooner terminated pursuant to paragraph 7.1, ending at 0000 hours on October 1, 2016.
- **1.11** "**Point of Delivery**" means the point on the electric distribution system where energy from the Project is to be delivered to Puget's electric system, as shown on the diagram attached hereto as <u>Exhibit A</u>.
- 1.12 "Project" means the four (4) hydroelectric generating units, each having a 225 kilowatts nominal rating, all as located on the City of Bellingham's Nooksack River Diversion System, in Bellingham, Washington, together with all equipment, facilities, structures, improvements, alterations, modifications, additions, betterments, property and property rights (e.g., for access to the Project) thereof or related thereto. An electrical diagram of the Project, without the modifications to Project facilities contemplated in paragraph 2.4, is set forth in the attached Exhibit B. An electrical diagram of the Project, with the modifications to Project facilities contemplated in paragraph 2.4, is set forth in the attached Exhibit C.

1.13 "Prudent Electrical Practice" means:

- (a) those practices, methods and acts which when engaged in are commonly used in prudent electrical engineering and operations to operate electric equipment lawfully and with safety, reliability, efficiency and expedition; or
- (b) if there are no practices, methods or acts referred to in paragraph 1.12(a), then those practices, methods and acts which in the exercise of reasonable judgment considering the facts known when engaged in, could have been expected to achieve the desired result consistent with applicable law, safety, reliability, efficiency and expedition.

Prudent Electrical Practice is not limited to the optimum practice, method or act, but rather is a spectrum of possible practices, methods or acts.

- 1.15 "Reliability Management System" or "RMS" means the contractual reliability management program implemented through the WECC Reliability Criteria Agreement, Section 2 of the Reliability Management System Agreement and any similar contractual arrangement to which the Western Electricity Coordinating Council is a party.
- **1.16 "Reliability Management System Agreement"** means the Reliability Management System Agreement dated April 26, 2004, between the WECC and Puget.
- **1.17** "Transfer" means any sale, assignment, encumbrance, disposition or other transfer, at any time, whether voluntary, involuntary, by operation of law or otherwise, of all or any portion of Company's rights, title or interests in or to the Project or the output of the Project or in, to or under this Agreement.
- **1.18** "WECC" means the Western Electricity Coordinating Council or any successor entity.
- 1.19 "Western Interconnection" means the area comprising those states and provinces, or portions thereof, in western Canada, northern Mexico and the western united States in which members of the WECC operate synchronously connected transmission systems.
- **1.20 "WECC Agreement"** means the Western Systems Coordinating Council Agreement dated March 20, 1967, as such may be amended from time to time.

- 1.21 "WECC Reliability Criteria Agreement" means the Western Systems Coordinating Council Reliability Criteria Agreement dated November 1, 2000, among the WECC and certain of its member transmission operators, as such may be amended from time to time.
- **1.22** "WECC Staff" means those employees of the WECC, including personnel hired by the WECC on a contract basis, designated as responsible for the administration of the RMS.
- **1.23** "WUTC" means the Washington Utilities and Transportation Commission or any successor regulatory agency.

Section 2. Purchase and Sale of Energy

2.1 General

Subject to the provisions of this Agreement, Puget purchases and shall take from Company, and Company sells and shall deliver to Puget, the entire net electrical output of the Project (i.e., the total output of the Project reduced by any amounts of electric power and energy used in connection with the operation of the Project) during the Operating Period.

2.2 Purchase Price

- (a) For Monthly Energy, Puget shall pay to Company an amount equal to the product of (i) the kilowatt-hours amount of such Monthly Energy multiplied by (ii) a monthly rate set forth in the attached as Exhibit D to this Agreement. Company shall pay to Puget a charge for VAr losses, equal to 0.098 cents per reactive kilovolt ampere-hour for each month during the Operating Period; provided, that in lieu of such payment, Puget may deduct such amount of VAr losses charges from any Monthly Energy amount payable by Puget to Company. A sample calculation of the amount payable for Monthly Energy is attached as Exhibit E to this Agreement. A sample calculation of VAr losses is included in the attached Exhibit F to this Agreement.
- (b) If pursuant to Exhibit D any payment pursuant to paragraph 2.2(a) is based on the Market Price (as defined in Exhibit D), the following shall apply:
 - (i) If Dow Jones reports none of the energy prices at Mid-Columbia for any given short-term period during the Operating Period, or if any permanent replacement index established pursuant to paragraph 2.2(b)(ii) is not reported for any given short-term period during the Operating Period, then the index price for each hour of such unreported period shall be equal to the quantity-weighted prices of energy delivered or received by Puget during such

hour under short-term (24 hours or less) wholesale sales and purchases by Puget.

If Dow Jones ceases to report any of the energy prices at Mid-Columbia, or if the methodology to determine any of said reported energy prices is materially modified or changed, the Parties shall select a mutually agreeable replacement index, reported by a reputable third party, that reflects actual transactions. If, after 30 days, the Parties are at impasse in selecting a mutually agreeable replacement index, the issue shall be referred to arbitration, in accordance with paragraph 2.5, for the limited and specific purpose of determining the replacement index that best replicates the Dow Jones Mid-Columbia Electricity Index (based on Mid-Columbia energy prices as they were reported on the date of execution of this Agreement).

2.3 **Payment**

Any amount payable in accordance with paragraph 2.2 for Monthly Energy or for kVAr charges shall be paid by Puget or Company, as applicable, on or before the last day of the next following calendar month.

2.4 **Delivery**

Company shall deliver the output of the Project to Puget at the Point of Delivery and in the form of three-phase, sixty hertz, alternating electric current and at a voltage as specified from time to time by the PSE System Operator, and at all times at not less than 11,876 and not more than 13,094 volts. The requirements of the preceding sentence shall be subject to adjustment by Puget from time to time to reflect changes in Puget's electric system pursuant to paragraph 3.3. Company shall limit kilowatt flows through the Point of Delivery so that such flows shall not at any time exceed 1.3 kilowatts. These power factor requirements shall be met at the Point of Delivery, during all hours of operation and in all operating conditions. Company shall have full responsibility for such delivery, either by delivering energy from the Project directly to Puget's electric system or by arranging (at Company's cost and expense) for transmission to Puget's electric system through the service territory of another public utility.

Without limiting the generality of the foregoing, Company shall, prior to June 1, 2007, take the Project off line in order to:

- make modifications to the Project facilities at Company's expense so that the Project facilities conform to Exhibit C;
- notify Puget, and arrange for Puget's review, of the relays' logic settings, which setting shall be subject to Puget's approval;

- (c) schedule with Puget a time for testing the relays;
- (d) test the new relays in Puget's presence;
- (e) subject to receiving Puget's approval of the relays, commission and bring the Project back on line.

2.5 Arbitration

- (a) If the selection of a mutually agreeable replacement index is referred to arbitration pursuant to paragraph 2.2(b)(ii), such arbitration shall be conducted under the Commercial Arbitration Rules of the American Arbitration Association ("<u>AAA</u>"), as modified by this Agreement, in Pierce County or King County, Washington, before three arbitrators. The arbitrators are authorized to resolve such issue, consistent with the provisions of this Agreement, but shall not change the Agreement.
- The Party initiating arbitration ("Initiating Party") shall serve notice in writing upon the other Party. The other Party shall, within ten (10) working days after the receipt of such notice, appoint a second arbitrator by notice in writing to the Initiating Party. The two arbitrators so appointed shall appoint a third arbitrator. If such other Party fails to appoint a second arbitrator within such ten (10) working day period, or if the two so appointed by the Initiating Party and the other party do not appoint a third arbitrator within ten (10) working days following the appointment of the second arbitrator by such other Party, either Party, within thirty (30) working days following notification by the Initiating Party of the appointment of the first arbitrator, may have a second or third arbitrator, as the case may be, appointed from the AAA's Large Complex Case Panel. If pursuant to the immediately preceding sentence, either Party appoints or has appointed one or more arbitrators, then such Party shall give the other Party written notice of such appointment within one (1) day after the date of such appointment. Neither Party may discuss any matter to be arbitrated pursuant to this Agreement with any arbitrator after such arbitrator is appointed, without providing notice of such discussion to the other Party and reasonable opportunity to participate in such discussion.
- (c) The rules for procedure, including discovery rules, for the conduct of the arbitration pursuant to this Agreement shall be determined by a majority vote of the arbitrators. Such rules may permit such depositions or other discovery deemed necessary by a majority of the arbitrators for a fair hearing. The award shall be rendered within 60 days of the initiation of arbitration pursuant to this paragraph 2.5. No time limit in this paragraph 2.5 is jurisdictional.
- (d) Within fifteen (15) business days following the appointment of the third arbitrator and notice thereof to each Party, each Party shall state in writing its position

concerning the selection of a replacement index pursuant to paragraph 2.2(b)(ii) supported by the reasons therefor and submit such statement to the three arbitrators. If either Party fails timely to submit its position, the position submitted by the other Party shall be deemed to be the decision of the arbitrators, and the arbitration shall be deemed concluded. The arbitrators shall arrange for a simultaneous delivery of each Party's position to the other Party. The arbitrators shall select by majority vote which of the two proposed positions is most consistent with the provisions of this Agreement and shall have no right to propose a middle ground or any modification of either of the two proposed positions. The position the arbitrators so choose shall constitute the decision of the arbitrators and shall be final and binding upon the Parties.

- (e) Any decision of the arbitrators may be confirmed or enforced in any court having jurisdiction. Notwithstanding the above, either of the Parties may bring court proceedings or claims against the other (i) solely as part of separate litigation commenced by an unrelated third party, or (ii) solely to obtain in the state or federal court in Pierce or King County, Washington, temporary or preliminary injunctive relief or other interim remedies pending conclusion of the arbitration. In the case of a contradiction between this paragraph 2.5 and the Commercial Arbitration Rules of the AAA, this paragraph shall control.
- (f) Except to the extent expressly provided in this paragraph 2.5, nothing in this Agreement shall be construed as a waiver of any right or remedy available at law or equity.

Section 3. Operation of the Project

3.1 Permits and Other Rights

Company shall obtain, maintain and comply with all permits, licenses, authorizations and other rights required to perform the Construction Activities, to own, operate, use and maintain the Project (including, but not limited to, the FERC Order) and to sell and deliver the net electrical output of the Project. Company shall furnish to Puget on request copies of all documents granting, evidencing or otherwise related to such permits, licenses, authorizations and rights. Company hereby represents that the Project is exempt from the licensing requirements under the Federal Power Act.

3.2 Performance

Company shall perform the Construction Activities and shall own, operate, use and maintain the Project:

(a) at its own risk and expense;

- (b) in a safe, prudent, dependable, efficient, orderly, skillful and workmanlike manner;
- (c) in compliance with the permits, licenses, authorizations and rights described in paragraph 3.1;
- (d) in compliance with all applicable laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of any governmental authority; and
 - (e) in accordance with Prudent Electrical Practice.

3.3 Interconnection

- 3.3.1 Company shall not alter or modify the interconnection of the Project with Puget's electric system or with any electric system with which Puget is interconnected without prior written authorization from Puget, which authorization shall not be unreasonably withheld or delayed. Company shall make any such interconnection, alteration or modification only in accordance with detailed plans, drawings and specifications consented to by Puget. Such plans, drawings and specifications shall be in conformance with Prudent Electrical Practice and with Puget's then-current standards and practices relating to the design and construction of electrical facilities.
- **3.3.2** Company shall pay to Puget the amount of all costs and expenses reasonably incurred or to be incurred by Puget to furnish any equipment and perform any work or otherwise in connection with the interconnection of the Project with Puget's electric system or any electric system with which Puget's system is interconnected. Company shall advance to Puget all funds required for Puget to pay such costs as they are incurred. Such advance shall be made within thirty (30) days after Company's receipt of Puget's request therefor. Puget shall retain ownership of all equipment and other items furnished by Puget and such equipment and items shall constitute part of Puget's electric system for purposes of this Agreement. Company shall (a) furnish Puget, or reimburse to Puget its costs to acquire, such additional rights (e.g., fee title or perpetual easements to the land on which such equipment and items are located or access to such items is provided) as Puget may reasonably require to own, operate, maintain, repair, replace, modify, improve and otherwise deal with such equipment and items as part of Puget's electric system, both during and after the Operating Period, and (b) provide Puget with such indemnifications, and make such representations and warranties for the benefit of Puget, with respect to such additional rights and the environmental condition of such land, and land surrounding such land, as Puget shall request.

3.3.3 If Puget makes any alteration, modification or other change to its electric system that requires any alteration, modification or other change to the Project or interconnection (including, but not limited to, an upgrading of any of Puget's facilities), then the costs of such changes to the Project or interconnection shall be borne by Company. Puget shall use its reasonable best efforts to provide Company reasonable advance notice of any such required changes to the Project or interconnection. Upon expiration or termination of the Operating Period, Puget shall have the right to disconnect the Project and remove all equipment and other items, ownership of which is retained by Puget pursuant to subparagraph 3.3.2.

3.4 Responsibility

Company shall have full responsibility for the Construction Activities and for the ownership, operation, use and maintenance of the Project and for delivery of energy from the Project to Puget's electric system (whether by Company, any of Company's assignees, contractors or suppliers of any tier, or any other person or entity), notwithstanding any:

- (a) review, approval, consent, advice, recommendation, authorization, notice, inspection, test or other act by Puget;
- (b) failure or delay by Puget to review, approve, consent, advise, recommend, authorize, notify, inspect, test, disconnect (as contemplated under paragraph 3.7) or perform any act; or
 - (c) knowledge or information of Puget.

No review, approval, consent, advice, recommendation, authorization, notice, inspection, test or other act by Puget regarding the Construction Activities or the ownership, operation, use or maintenance of the Project or the delivery of energy from the Project to Puget's electric system shall constitute or be interpreted or construed as, or be relied upon or held out by Company or any other person or entity as, any warranty, representation or endorsement by Puget.

3.5 Coordination of Project Operation

Company shall operate the Project on a reliable and sustained basis until the end of the Operating Period, subject to forced outages and outages for scheduled maintenance, repairs, replacements, improvements, alterations and modifications of, and additions to, the Project. Company shall give Puget reasonable advance notice of any scheduled outage of a duration of thirty-six (36) hours or more. Without limiting the generality of the foregoing, Company shall endeavor to confine all scheduled outages to the months of May through July or as otherwise requested by Puget. On or before December 15 of each calendar year, Company shall give Puget written notice

of all outages scheduled for the remainder of the Operating Period. Company shall give Puget notice of all other outages as soon as practicable.

3.6 Metering

All energy delivered under this Agreement shall be measured by meters to be owned, installed, operated and maintained by Puget. Such meters shall be set to compensate for any real energy losses and reactive energy losses incurred between the meters and the point where the average circuit load is half the generator peak output. The formulae used to calculate such real and reactive energy losses are set forth in the attached Exhibit F. Company shall reimburse Puget for all costs reasonably incurred by Puget in connection with such metering (including, but not limited to, all costs of metering, telemetering, communication lines for remote billing data retrieval and other equipment to be installed by Puget for the Project). Such reimbursement shall be made by Company within thirty (30) days after Company's receipt of Puget's invoice therefor. All metering, telemetering and other equipment installed by Puget shall be and remain Puget's property, notwithstanding such reimbursement. If, upon test, such meters are found to be inaccurate by more than two percent (2%) or if such meters are for any reason out of service or fail to register, then the Parties shall use their best efforts to estimate the correct amounts of energy delivered during the periods affected by such inaccuracy, service outage or failure to register by the best available means. In the event that, as a result of such estimate: (a) the amount of electrical energy credited to Puget is decreased, Company shall reimburse Puget for any overpayment made by Puget, such reimbursement to be in the form of (i) a deduction from the next succeeding payment or payments by Puget for electrical energy due Company pursuant to paragraph 2.2 or (ii) cash, if no such succeeding payments in an amount exceeding the amount of such overpayment are or shall be due; or (b) the amount of electrical energy credited to Puget is increased, Puget shall pay Company for such increased credit for electrical energy, if any, at the purchase price set forth in paragraph 2.2. Notwithstanding the foregoing, if, upon test, Puget's meters for determining amounts of energy delivered under this Agreement are found to be inaccurate by not more than two percent (2%), then any previous recordings of such meters shall be deemed accurate. Puget shall promptly cause meters found to be inaccurate to be adjusted to correct to the extent practicable such inaccuracy.

3.7 Disconnection by Puget

Puget shall have the right at any time during the Operating Period, without incurring any liability therefor to Company, to interrupt, suspend or curtail delivery, receipt or acceptance of delivery of energy from the Project, if Puget determines (through manual operation, automatic operation or otherwise) in the exercise of its sole discretion that the failure to do so:

- (a) may endanger any person or property, or Puget's electric system, or any electric system with which Puget's system is interconnected;
- (b) may cause or contribute to an imminent significant disruption of electric service to Puget's customers;
- (c) may interfere with any construction, installation, inspection, testing, repair, replacement, improvement, alteration, modification, operation, use or maintenance of, or addition to, Puget's electric system or other property of Puget; or
 - (d) is contrary to Prudent Electrical Practice.

Puget shall promptly notify Company of the reasons for any such interruption, suspension or curtailment. Puget shall use reasonable efforts to mitigate and limit the duration of any such interruption, suspension or curtailment.

3.8 Protection of Persons and Property

Company shall take all precautions that are necessary to prevent bodily harm to persons and damage to any property (including, but not limited to, the Project, Puget's electric system and any electric system with which Puget's electric system is interconnected) in connection with the Construction Activities or the interconnection of the Project with Puget's electric system or any electric system with which Puget's electric system is interconnected. Company shall inspect all materials, tools, supplies, equipment, goods and other items used, consumed or incorporated in or during the Construction Activities or the interconnection of the Project to discover any conditions that involve a risk of bodily harm to persons or a risk of damage to any property and shall be fully responsible for the discovery and correction of, and protection against, such conditions.

3.9 Release and Indemnity

Company releases and shall defend, indemnify and hold harmless each of the Indemnitees from and against all claims, losses, harm, suits, liabilities, obligations, damages, penalties, costs and expenses (including, but not limited to, reasonable attorneys' fees and any incremental taxes payable by Puget on the amount of any indemnities paid by Company to Puget pursuant to this paragraph 3.9) of whatsoever kind and nature (including, without limitation, relating to the injury to or death of any person, including employees of Company) that may at any time or from time to time be imposed on, incurred by or asserted against any Indemnitee, arising out of or in connection with the Construction Activities, the interconnection of the Project with Puget's electric system or any electric system with which Puget's electric system is interconnected, the delivery of energy from the Project to the Point of Delivery, the

ownership, operation, use or maintenance of the Project, or the failure of Company to have observed or performed any of Company's obligations or liabilities under this Agreement. To the fullest extent permitted by applicable law, the foregoing shall apply regardless of any fault, negligence, strict liability or product liability of any Indemnitee and shall apply to any claim, action, suit or proceeding brought by any employee of Company. However, Company shall not be required to so defend, indemnify or hold harmless such Indemnitee from any claim, loss, harm, liability, damage, cost or expense to the extent caused by or resulting from the negligence of such Indemnitee or its directors, officers, employees, agents or representatives.

3.10 Insurance

During the period commencing with the Commencement Date and ending, with respect to insurance coverage described in subparagraphs 3.10.1 and 3.10.2, one (1) year following the earlier of the expiration or termination of the Operating Period, and otherwise ending with the expiration or termination of the Operating Period, Company shall maintain continuously in effect insurance coverage which meets or exceeds the following requirements:

3.10.1 Liability

Broad form of commercial public liability insurance on an occurrence form against, among other things, bodily injury (including death), personal injury or property damage arising out of or in connection with the Construction Activities, the interconnection of the Project with Puget's electric system or any electric system with which Puget's electric system is connected, the delivery of the net electrical output from the Project to the Point of Delivery, or the ownership, operation, use or maintenance of the Project. Such insurance coverages shall include the following: Commercial General Liability coverage (including Premises/Operations Liability, Products/Completed Operations Liability, Contractual Liability, Contractors Protective coverage (in all cases where subcontractors are retained to perform the work), and Broad Form Property Damage coverage). The following limits (or such higher limits as may be customary in the electric generation industry) shall apply: Bodily Injury (including death), \$1,000,000 per person, per occurrence; Property Damage, \$1,000,000 per occurrence; Personal and Advertising Injury, \$1,000,000 per occurrence.

3.10.2 Employers' Liability

If at any time during the Delivery Period Company has one or more employees, Company shall obtain and maintain Employers' Liability Insurance in accordance with the applicable laws relating to workers' compensation and employers' liability insurance (including, but not limited to, the Washington Industrial Insurance Act), regardless of whether such coverage or insurance is mandatory or elective under the law, with the following limits (or such higher limits as may be customary in the electric generation industry): \$1,000,000.

3.10.3 Automobile

Comprehensive Automobile Liability coverage (including owned, hired and non-owned vehicles) with the following limits (or such higher limits as may be customary in the electric generation industry): Bodily Injury (including death), \$1,000,000 per person, per occurrence; Property Damage, \$1,000,000 per occurrence.

Company shall furnish Puget with certificates of insurance, broker's reports of insurance, copies of insurance policies and such other evidence of the insurance required by this paragraph 3.10, in form and substance reasonably satisfactory to Puget, as Puget may from time to time reasonably request.

Without limiting any of the foregoing, any policy of insurance carried in accordance with this paragraph 3.10 and any insurance policy procured or maintained in substitution or replacement therefor shall

- (i) name the Indemnitees ("<u>Additional Insureds</u>") as additional insureds,
- (ii) provide that, with respect to the interests of the Additional Insureds, such insurance shall apply in favor of each Additional Insured whether the property covered thereby is within or outside the control of Company, shall remain valid and shall not be impaired or invalidated by any action or inaction of Company or any other person or entity and shall insure the interests of each of the Additional Insureds as they appear, notwithstanding any breach or violation of any representation, warranty, declaration, covenant or condition contained in such policy by Company or any other person or entity,
- (iii) provide that if such policy is materially amended or canceled, or the coverage thereof is materially changed, for any reason whatsoever, or if such policy is allowed to lapse for nonpayment of premiums, or if such policy is not renewed for any reason whatsoever, such cancellation, termination, amendment, change, lapse or nonrenewal shall not be effective as to any Additional Insured until the date which is thirty (30) days following receipt by Puget of written notice from the insurer thereof of such cancellation, termination, amendment, change, lapse or nonrenewal,
- (iv) be primary to and without any right of contribution from any other insurance which may be available to any Additional Insured,

- (v) expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured,
- (vi) provide that the issuer of such policy shall waive any rights of setoff, counterclaim or other deduction, whether by attachment or otherwise, which it may have against any Additional Insured, including, without limitation, any claim for unpaid premiums,
- (vii) provide that the issuer of such policy shall waive any right of subrogation against any Additional Insured; provided, however, that the existence or nonexistence of such subrogation rights shall not in any way delay payment of any claim that would otherwise be payable by such insurers but for the existence of such rights of subrogation or entitle such insurers to exercise or to assert any setoff, recoupment, counterclaim or any other deduction in respect of any amounts payable under such policies,
- (viii) provide that none of the Additional Insureds shall be liable for any insurance premium, commission, assessment or call payable thereon; provided however, that each such policy shall provide that, in the event of cancellation thereof due to the nonpayment of any premium, Puget shall have the option to pay such premium that is due and maintain such coverage under such policy as Puget may require until the originally scheduled expiration date thereof, and
- (ix) otherwise provide coverage at least equivalent to the standardized occurrence forms filed by the Insurance Service Office.

Any policy of insurance carried by Company in addition to the policies of insurance required under this paragraph 3.10 shall provide that the insurer of such policy shall waive any right of subrogation against any Additional Insured.

The Additional Insureds shall have the rights, but not the obligations, of additional insureds.

Section 4. Access and Information

4.1 Access

Company shall provide Puget, and Puget shall have the right of, such access as Puget may reasonably require, by personnel and for equipment, to the Project for the following purposes:

- (a) installation, inspection, testing, repair, replacement, improvement, alteration, modification, operation, use, maintenance, reading and removal of the meters, equipment and other property described in paragraph 3.6 or otherwise owned by Puget;
- (b) any disconnection, interruption, suspension or curtailment described in paragraph 3.7; and
 - (c) inspection and testing described in paragraph 4.2.

Company may make such access subject to limitations required by Prudent Electrical Practice. Company shall and hereby does grant to Puget all necessary licenses, rights-of-way and easements for the access and purposes described in this paragraph 4.1 and shall execute, acknowledge and deliver to Puget such additional documents as Puget may reasonably request to effectuate, evidence, vest, record or give notice of such licenses, rights-of-way and easements.

4.2 Inspections

Company shall permit Puget to inspect (and to be present at all tests of) the Project, the Construction Activities and the operation, use or maintenance of the Project. Company shall provide Puget with reasonable advance notice of any such test or inspection by or at the direction of Company.

4.3 Information

Company shall promptly furnish Puget with copies of such plans, specifications, records and other information relating to the Project, the Construction Activities, the arrangements between Company and any other person or entity for transmission or delivery of energy from the Project to Puget's electric system, or the ownership, operation, use or maintenance of the Project, as may be reasonably requested by Puget from time to time. All such information, together with all other documents and information furnished to Puget under this Agreement, shall be given to Puget on a nonconfidential basis.

Section 5. Limitations of Liability

5.1 Excusable Delay

Neither Party shall be liable under this Agreement for, or be considered to be in breach of or default under this Agreement on account of, any delay in or failure of performance, or any delay or failure to deliver, receive or accept delivery of energy, due to any of the following events:

- (a) any cause or condition beyond such Party's reasonable control which such Party is unable to overcome, or to have avoided or overcome, by the exercise of reasonable diligence (such causes or conditions include but are not limited to: fire, flood, earthquake, volcanic activity, wind, drought and other acts of the elements; court order and act of civil, military or governmental authority (excluding, however, any denial of or delay in granting any license, permit, authorization or other right required to perform the Construction Activities and to own, operate, use and maintain the Project); strike, lockout and other labor dispute; riot, insurrection, sabotage and war; breakdown of or damage to facilities or equipment; electrical disturbance originating in or transmitted through such Party's electric system or any electric system with which such Party's system is interconnected; and, act or omission of any person or entity other than such Party and such Party's contractors or suppliers of any tier or anyone acting on behalf of such Party); or
- (b) any action taken by such Party which is, in the sole judgment of such Party, necessary or prudent to protect the operation, performance, integrity, reliability or stability of such Party's electric system or any electric system with which such Party's electric system is interconnected, whether such action occurs automatically or manually.

Any such delay or failure is referred to in this Agreement as an "Excusable Delay"; provided, however, that "Excusable Delay" shall specifically exclude any such delay or failure resulting from any of the following conditions, causes or events:

- (i) any change in the ownership, occupancy or operation of the Project for any reason, including, without limitation, any downturn in the economy, recession, bankruptcy, foreclosure, change in tax law, change in production levels, and intercorporate transfer or consolidation;
- (ii) any full or partial curtailment of the electrical output of the Project arising from any mechanical or equipment breakdown, except to the extent that such breakdown is directly caused by an Excusable Delay; and
- (iii) any change in market conditions or any governmental action that affects the cost or availability of Company's supply of fuel or stock (whether primary or alternative) required for the operation of the Project.

In the event of any Excusable Delay, the time for performance thereby delayed shall, subject to the terms of subparagraph 7.1.2, be extended by a period of time reasonably necessary to compensate for such delay. Nothing contained in this paragraph 5.1 shall require any Party to settle any strike, lockout or other labor dispute. Each Party shall

give the other Party prompt written notice of any delay which the Party giving notice considers to be an Excusable Delay of its performance. Such notice shall include a particular description of the event, cause or condition giving rise to the purported Excusable Delay, the projected duration of the Excusable Delay and assurances that suspension of performance is of no greater scope and of no longer duration than is required by such event, cause or condition and that reasonable best efforts are being used to remedy or overcome such event, cause or condition. Notwithstanding any of the foregoing, neither Party shall, on account of any event, cause or condition that otherwise gives rise to a delay or failure of performance by such Party that constitutes an Excusable Delay, be excused for any amount of time from any of its payment obligations under this Agreement, including, without limitation, the obligations of Company under paragraph 3.3.

5.2 Release by Puget

Puget hereby releases Company, its successors and assigns and the respective directors, officers, employees, agents and representatives of Company and its successors and assigns from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any:

- (a) Excusable Delay;
- (b) operation of the Project in parallel with Puget's electric system; or
- (c) transfer, transmission, use or disposition of energy produced by the Project after it is delivered to Puget at the Point of Delivery.

5.3 Release by Company

Company hereby releases each of the Indemnitees from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any:

- (a) Excusable Delay;
- (b) operation of the Project in parallel with Puget's electric system;
- (c) transfer, transmission, use or disposition of energy produced by the Project prior to its delivery to Puget at the Point of Delivery;
- (d) electric disturbance or fluctuation that migrates, directly or indirectly, from or through Puget's electric system to the Project;

- (e) interruption, suspension or curtailment of electric service to the Project or any other premises owned, possessed, controlled or served by Company, which interruption, suspension or curtailment is caused or contributed to by the Project or the interconnection of the Project with Puget's electric system; or
- (f) disconnection, interruption, suspension or curtailment by Puget pursuant to paragraph 3.7 or 5.1.

Section 6. Transfer

Company shall not make or permit any Transfer, except as follows:

- (a) to any person or entity that directly or indirectly controls, is controlled by or under common control with Company, provided that such other person or entity assumes, or is otherwise bound to perform, all of Company's obligations under this Agreement, as if such other person or entity were an original party to this Agreement, and provided, further, that such other person or entity shall be financially responsible and shall be skilled and experienced in the operation of a hydroelectric generating facility;
 - (b) to Puget;
- (c) as security for any indebtedness incurred by Company to finance the Project, provided that upon any Transfer, the person or entity acquiring the interests subject to any such Transfer agrees, upon exercising any rights in or to the Project or in or under this Agreement, to assume, or to be otherwise bound to perform and, if such transferee subsequently sells, assigns or transfers any of its rights in or to the Project or in or under this Agreement, to cause to be assumed and performed by any subsequent transferee, on a recourse basis, all of Company's obligations under this Agreement, and provided, further, that such person or entity and such subsequent transferee, if any, shall be financially responsible and shall be skilled and experienced in the operation of a hydroelectric generating facility; or
- (d) to any other person or entity with the written consent of Puget, which consent shall not be unreasonably withheld or delayed, provided that such other person or entity assumes, or is otherwise bound to perform or to cause to be performed, all of Company's obligations under this Agreement, as if such other person or entity were an original party to this Agreement, and provided, further, that such other person or entity shall be financially responsible and shall be skilled and experienced in the operation of a hydroelectric generating facility.

Section 7. Termination

7.1 Termination; Cancellation

- 7.1.1 If either Party is at any time in material breach of or default under this Agreement (the "<u>Defaulting Party</u>"), the other Party (the "<u>Terminating Party</u>") shall have the right to terminate this Agreement by giving the Defaulting Party written notice of such termination. Such termination of this Agreement shall be effective upon the Defaulting Party's receipt of such notice of such termination pursuant to this subparagraph 7.1.1. For purposes of this subparagraph 7.1.1, a Party shall be deemed to be in material breach of or default under this Agreement if such Party:
 - (a) fails to cure any material breach of or default under this Agreement by such Party prior to the later of (i) the expiration of sixty (60) days after the Terminating Party gives the Defaulting Party written notice of the breach or default and (ii) the date upon which the Terminating Party gives the Defaulting Party written notice of termination; provided that, without limiting the generality of paragraph 7.2, either Party's right to terminate this Agreement pursuant to this subparagraph 7.1.1(a) is in addition to, and shall not preclude the exercise of, any other rights and remedies provided under this Agreement or at law or in equity;
 - (b) is unable to meet its obligations as they become due or such Party's liabilities exceed its assets;
 - (c) makes a general assignment of all or substantially all of its assets for the benefit of its creditors, files a petition for bankruptcy or reorganization or seeks other relief under any applicable insolvency laws; or
 - (d) has filed against it a petition for bankruptcy, reorganization or other relief under any applicable insolvency laws and such petition is not dismissed within sixty (60) days after it is filed.
- **7.1.2** Puget shall have the right to terminate this Agreement by giving Company written notice of such termination (and such termination shall be effective upon Company's receipt of such notice of such termination) following the occurrence of any of the following events:
 - (a) Company fails to overcome or remedy within one (1) year following the commencement of any Excusable Delay occurring on or after the Commencement Date the event, cause or condition that gave rise to such Excusable Delay; or

(b) Company's business is suspended, dissolved or wound up.

In no event shall Puget incur any liability (whether for lost revenues or lost profits or otherwise) as a result of any termination of this Agreement pursuant to this paragraph 7.1.

7.2 Rights and Remedies Cumulative

All rights and remedies of either Party under this Agreement and at law and in equity shall be cumulative and not mutually exclusive and the exercise of one right or remedy shall not be deemed a waiver of any other right or remedy. Nothing contained in any provision of this Agreement shall be construed to limit or exclude any right or remedy of either Party (arising on account of the breach or default by the other Party or otherwise) now or hereafter existing under any other provision of this Agreement, at law or in equity.

Section 8. Miscellaneous

8.1 Qualifying Facility Status

Company represents and warrants that:

- (a) the Project is a "qualifying small power production facility" within the meaning of subsection 3(17)(C) of the Federal Power Act, as amended; and
- (b) pursuant to notice filed with FERC under 18 C.F.R. Section 292.207(a), Company has received from FERC a certification that the Project is a "qualifying facility" within the meaning of 18 C.F.R. Section 292.101(b)(1); the representations and statements set forth in such certification are true, accurate and complete as of the date of the certification; and such certification has not been revoked, terminated or cancelled and is in full force and effect from and after the time at which the Project is or becomes a "qualifying facility"; and
- (c) From and after the time at which the Project is or becomes a "qualifying facility," Company is requiring Puget to purchase the output of the Project under this Agreement pursuant to the provisions of Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA), Public Law 95-617.

Company shall, from and after the time at which the Project is or becomes a "qualifying facility," furnish Puget with such documentation and information as Puget may request to verify Company's representations and warranties set forth in this paragraph 8.1 (including, but not limited to, copies of the application and certification

referred to in (b) above, together with copies of any correspondence or other communication to or from FERC).

8.2 Notices

Except as may be expressly provided otherwise in this Agreement, any notice, request, authorization, direction, or other communication under this Agreement shall be given in writing and shall be delivered in person or by first-class U.S. mail (stamped with the required postage), properly addressed to the intended recipient as follows:

If to Puget:

In-Person Delivery:
Puget Sound Energy, Inc.
Attn: Vice President, Project
Development and Contract
Management
10885 N.E. Fourth Street
Bellevue, WA 98004

Mail Delivery:
Puget Sound Energy, Inc.
Attn: Vice President, Project
Development and Contract
Management
P.O. Box 97034
Bellevue, WA 98009-9734

If to Company: Hutchinson Hydro LLC

5500 Blue Heron Lane

P.O. Box 36

Deming, WA 98244

Either Party may change its address specified above by giving the other Party notice of such change in accordance with this paragraph 8.2.

8.3 Governmental Authority

This Agreement is subject to the rules, regulations, orders and other requirements, now or hereafter in effect, of all governmental authorities (including, without limitation, the WUTC) having jurisdiction over the Project, this Agreement, the Parties or either of them. Following execution of this Agreement by the Parties, Puget may submit this Agreement to the WUTC for review and shall notify Company as to whether, within thirty (30) days following such submission, the WUTC has raised any issues with respect to this Agreement. If the WUTC raises any issues with respect to this Agreement, and Puget and the WUTC do not, within fifteen (15) days following Puget's receipt of notice of such issues from the WUTC, resolve such issues in a manner acceptable to Puget, then Puget shall have the right to terminate this Agreement by giving Company written notice of such termination, whereupon this Agreement shall be void and of no further force or effect. In no event shall Puget incur any liability (whether for lost revenue or lost profits or otherwise) as a result of

such termination. All laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of governmental authorities that are required to be incorporated in agreements of this character are by this reference incorporated in this Agreement.

8.4 No Partnership

This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the Parties or to impose any partnership obligations or liability upon either Party. Further, neither Party shall have any right, power or authority to enter into any agreement or undertaking for or on behalf of, to act as or be an agent or representative of, or to otherwise bind the other Party.

8.5 Nonwaiver

No failure or delay of either Party to insist upon or enforce strict performance by the other Party of any provision of this Agreement or to exercise any other right under this Agreement, and no course of dealing or performance with respect thereto, shall be construed as a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provision or right in that or any other instance; rather, the same shall be and remain in full force and effect. The express waiver by either Party of any right or remedy under this Agreement in a particular instance or circumstance shall not constitute a waiver thereof in any other instance or circumstance.

8.6 Survival

Paragraphs 3.4, 3.9 and 4.1 and Section 5, and all other provisions of this Agreement which may reasonably be interpreted or construed as surviving the completion, termination or cancellation of this Agreement, shall survive the completion, termination or cancellation of this Agreement.

8.7 Entire Agreement

This Agreement sets forth the entire agreement, and supersedes any and all prior agreements of the Parties, whether written or oral, with respect to the subject matters hereof.

8.8 Successors and Assigns

Except as otherwise provided in Section 6, Company shall not make any Transfer without the prior written consent of Puget, which consent shall not be unreasonably withheld or delayed. Further, no Transfer by Company shall to any extent relieve it of, or release it from, any of its obligations under this Agreement. Subject to the foregoing restrictions, this Agreement shall be fully binding upon, inure

to the benefit of and be enforceable by the Parties and their respective successors, assigns and legal representatives.

8.9 No Unspecified Third-Party Beneficiaries

Except as specifically provided in this Agreement (e.g., in paragraphs 3.9, 5.2 and 5.3 and Section 9), there are no third-party beneficiaries of this Agreement. Nothing contained in this Agreement is intended to confer any right or interest on anyone other than the Parties, their respective successors, assigns and legal representatives permitted under paragraph 8.8, and the third-party beneficiaries specifically identified in this Agreement.

8.10 Amendment

No change, amendment or modification of any provision of this Agreement or of any exhibit to this Agreement shall be valid unless set forth hereafter in a written amendment to this Agreement or such exhibit signed by both Parties.

8.11 Implementation

Each Party shall take such action (including, but not limited to, the execution, acknowledgment and delivery of documents) as may reasonably be requested by the other Party for the implementation or continuing performance of this Agreement.

8.12 Invalid Provision

The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

8.13 Applicable Law

This Agreement shall in all respects be interpreted, construed and enforced in accordance with the laws of the State of Washington (without reference to rules governing conflicts of law), except to the extent such laws may be preempted by the laws of the United States of America.

Section 9. Reliability Management System

9.1 Purpose.

In order to maintain the reliable operation of the transmission grid, the WECC Reliability Criteria Agreement sets forth reliability criteria adopted by the WECC to which Company and Puget shall be required to comply.

9.2 Compliance.

Company shall comply with the requirements of the WECC Reliability Criteria Agreement, including the applicable WECC reliability criteria set forth in Section IV of Annex A thereof, and, in the event of failure to comply, agrees to be subject to the sanctions applicable to such failure. Such sanctions shall be assessed pursuant to the procedures contained in the WECC Reliability Criteria Agreement. Each and all of the provisions of the WECC Reliability Criteria Agreement are hereby incorporated by reference into this Section 9 as though set forth fully herein, and Company shall for all purposes be considered a Participant, and shall be entitled to all of the rights and privileges and be subject to all of the obligations of a Participant, under and in connection with the WECC Reliability Criteria Agreement, including, but not limited to, the rights, privileges and obligations set forth in Sections 5, 6 and 10 of the WECC Reliability Criteria Agreement.

9.3 Payment of Sanctions.

Company shall be responsible for payment of any monetary sanction assessed against Company by WECC pursuant to the WECC Reliability Criteria Agreement. Any such payment shall be made pursuant to the procedures specified in the WECC Reliability Criteria Agreement.

9.4 Transfer of Control or Sale of Project.

In any sale or transfer of control of the Project, Company shall as a condition of such sale or transfer require the acquiring party or transferee with respect to the transferred facilities either to assume the obligations of Company with respect to this Agreement or to enter into an agreement with Puget imposing on the acquiring party or transferee the same obligations applicable to Company pursuant to this Section 9.

9.5 Publication.

Company consents to the release by the WECC of information related to Company's compliance with this Agreement only in accordance with the WECC Reliability Criteria Agreement.

9.6 Third Parties.

Except for the rights and obligations between the WECC and Company specified in this Section 9, this Agreement creates contractual rights and obligations solely between the Parties. Nothing in this Agreement shall create, as between the Parties or with respect to the WECC: (1) any obligation or liability whatsoever (other than as expressly provided in this Agreement) or (2) any duty or standard of care whatsoever. In addition, nothing in this Agreement shall create any duty, liability or

standard of care whatsoever as to any other party. Except for any rights, as a third-party beneficiary under this Section 9, of the WECC against Company, no third party shall have any rights whatsoever with respect to enforcement of any provision of this Agreement. Puget and Company expressly intend that the WECC is a third-party beneficiary of this Section 9, and the WECC shall have the right to seek to enforce against Company any provision of this Section 9, provided, that specific performance shall be the sole remedy available to the WECC pursuant to this Section 9, and Company shall not be liable to the WECC pursuant to this Agreement for damages of any kind whatsoever (other than the payment of sanctions to the WECC, if so construed), whether direct, compensatory, special, indirect, consequential or punitive.

9.7 Reserved Rights.

Nothing in the RMS or the WECC Reliability Criteria Agreement shall affect the right of Puget, subject to any necessary regulatory approval, to take such other measures to maintain reliability, including disconnection, which Puget may otherwise be entitled to take.

9.8 Severability.

If one or more provisions of this Section 9 shall be invalid, illegal or unenforceable in any respect, it shall be given effect to the extent permitted by applicable law, and such invalidity, illegality or unenforceability shall not affect the validity of the other provisions of this Agreement.

9.9 Termination.

Company may terminate its obligations pursuant to this Section 9:

- (a) if after the effective date of this Section 9, the requirements of the WECC Reliability Criteria Agreement applicable to Company are amended so as to adversely affect Company, provided that Company gives fifteen (15) days' notice of such termination to Puget and the WECC within forty-five (45) days of the date of issuance of a FERC order accepting such amendment for filing, provided, further, that the forty-five (45) day period within which notice of termination is required may be extended by Company for an additional forty-five (45) days if Company gives written notice to Puget of such requested extension within the initial forty-five (45) day period; or
- (b) for any reason on one year's written notice to Puget and the WECC.

9.10 Mutual Agreement.

This Section 9 may be terminated at any time by mutual agreement of Puget and Company.

IN WITNESS WHEREOF each of the Parties has caused this Agreement to be duly executed by its authorized representative as of the date first set forth above.

Puget Sound Energy, Inc.

Vice President, Project Development

and Contract Management

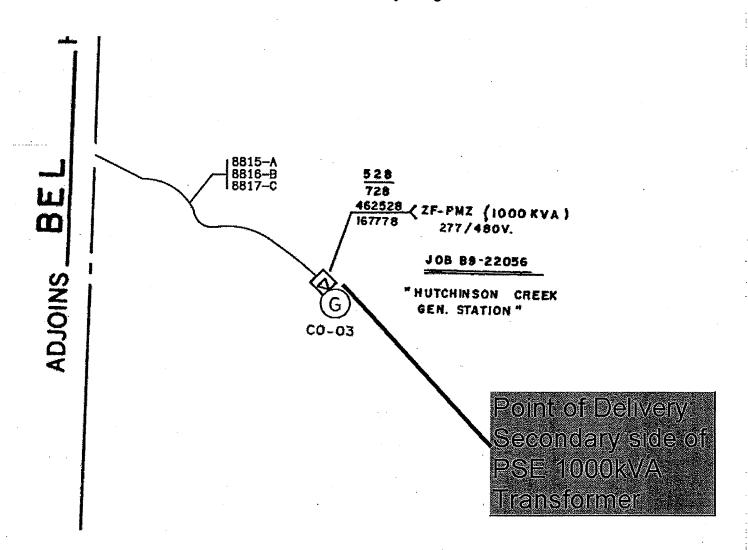
Hutchinson Hydro, LLC

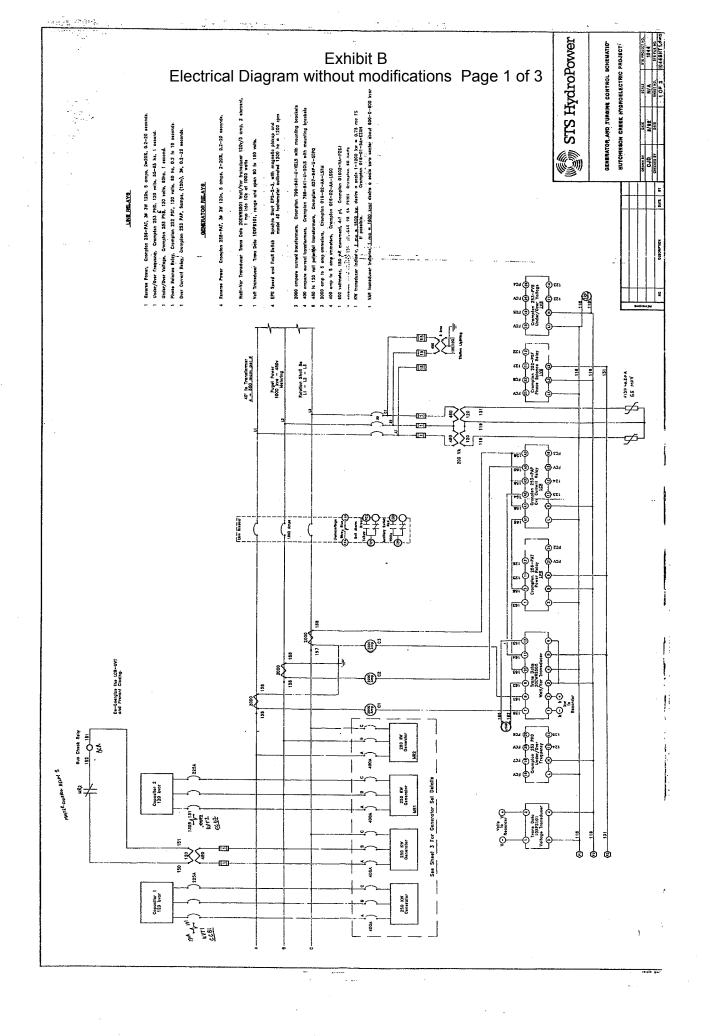
By Vand Glen

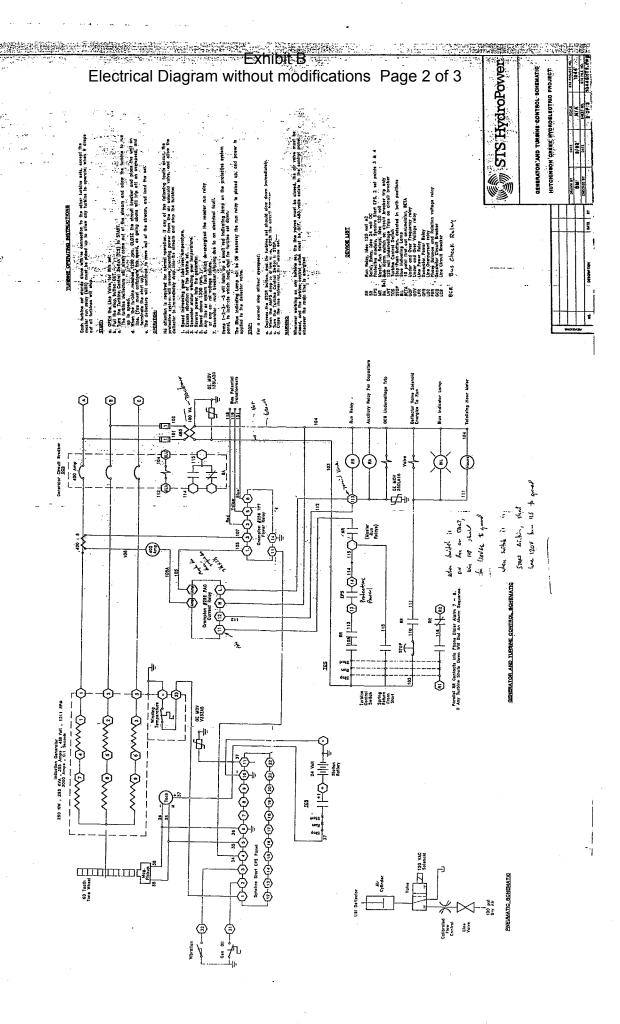
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Oct 10, 2006

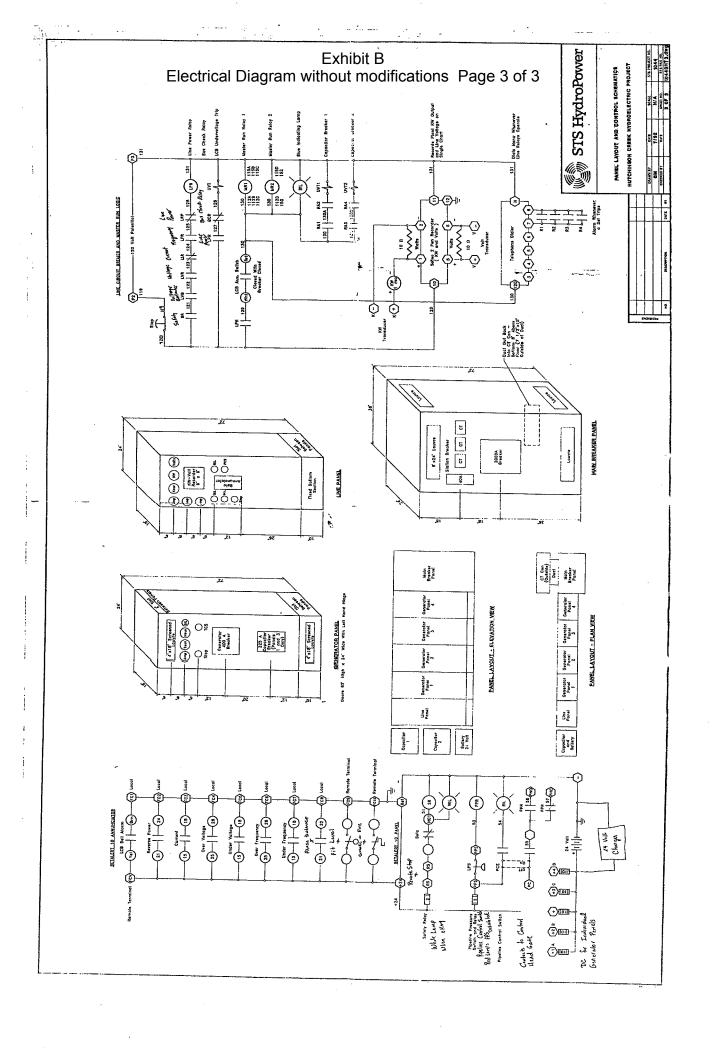
Exhibit A
Point of Delivery Diagram

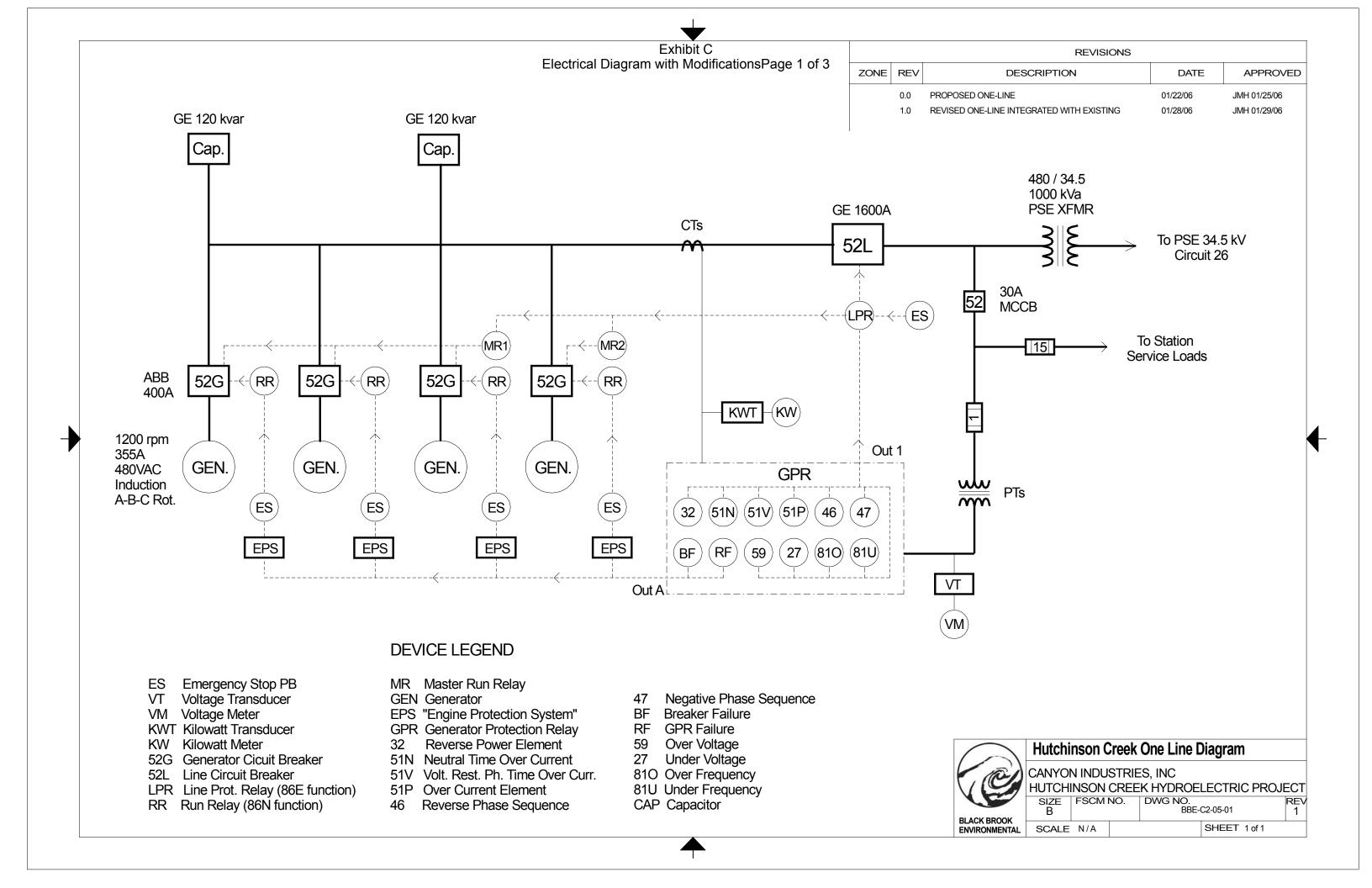




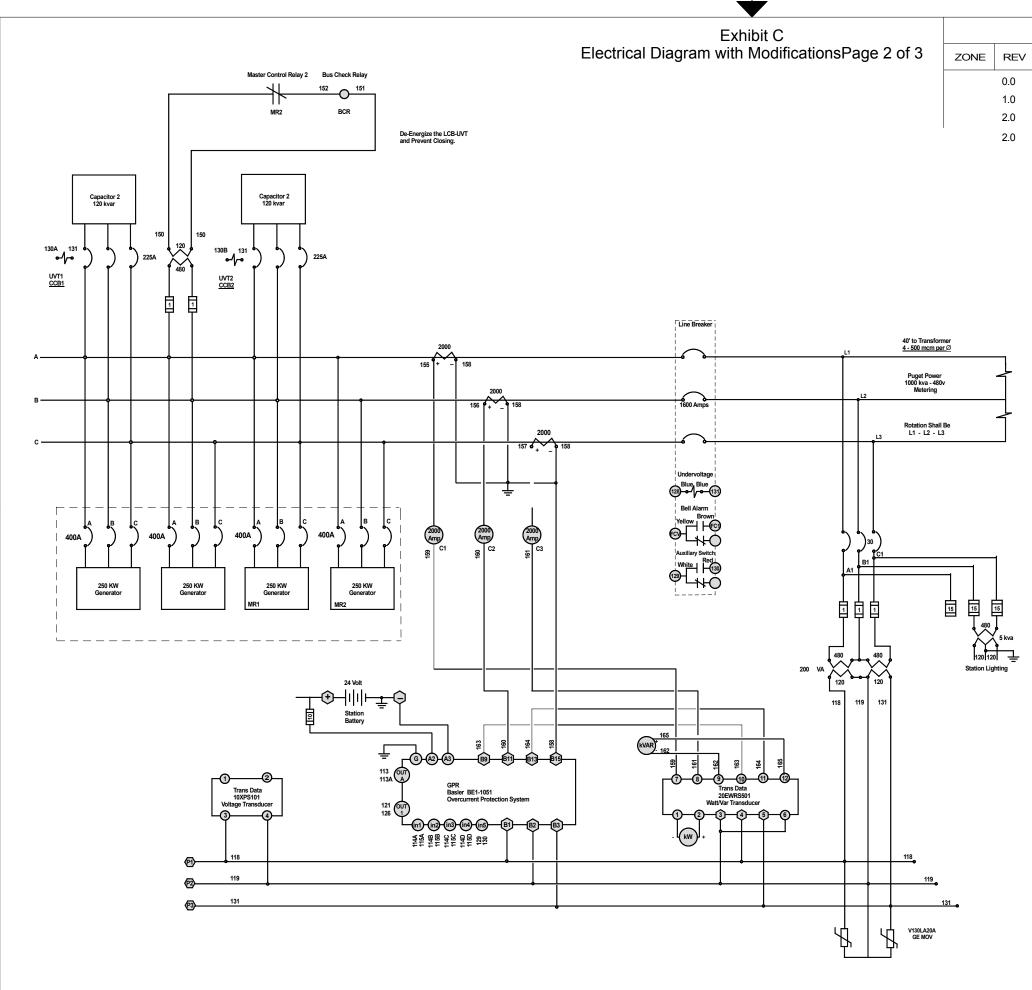


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DEVICE LIST

- 1 Basler BE1-1051 Overcurrent Protection System
- 1 Watt-Var Transducer Trans Data 20EWRS501 Watt/Var transducer 120v/5 amp, 2 element 1 ma into 10k at 1000 watts.

REVISIONS

DATE

03/92 - 09/01/05

11/21/05

01/28/06

02/12/06

APPROVED

JMH 09/12/05

JMH 01/29/06

1 Volt Transducer Trans Data 10XPS101, range and span 90 to 150 volts.

DESCRIPTION

ORIGINAL STS DRAWING - EXISTING CONTROL SCHEME

Revisions Incl. Proposed Relaying and Breaker Upgrade

2005 Revisions Incorporating Relaying Upgrade

Revisions Incl. J Harshbarger Comments

- 4 EPS Speed and Fault Switch Synchro Start EPS-2-3, with magnetic pickup and model 49 tachometer calibrated 1200 hz = 1200 rpm.
- 3 2000 ampere current transformers, Crompton 790-941-U-VELS with mounting brackets
- 4 400 ampere current transformers, Crompton 790-941-U-SCLS with mounting brackets
- 6 480 to 120 volt potential transformers, Crompton 857-94P-U-SEPQ
- 3 2000 amp to 5 amp ammeters, Crompton 016-02-AA-LSTM
- 4 400 amp to 5 amp ammeters, Crompton 016-02-AA-LSSC
- 1 600 voltmeter, 150 volt movement, 4:1 pt, Crompton 01602-VA-PZSJ
- 4 Elapsed Time Hour Meter 25-GA-PNXH Crompton 60 hertz.
- 1 KW transducer indicator, 1 ma = 1600 kw, desire a scale 1-1200 kw = 0.75 ma FS if possible. Crompton 016-01-5A-EZXH
- 1 VAR transducer indicator, 1 ma = 1600 kvar desire a scale zero center about 600-0-600 kvar.



GENERATOR AND TURBINE CONTROL SCHEMATIC

CANYON INDUSTRIES, INC HUTCHINSON CREEK HYDROELECTRIC PROJECT

SIZE FSCM NO. BBE-C2-05-004-R В SCALE N/A SHEET 1 of 1



Exhibit C
Electrical Diagram with ModificationsPage 3 of 3

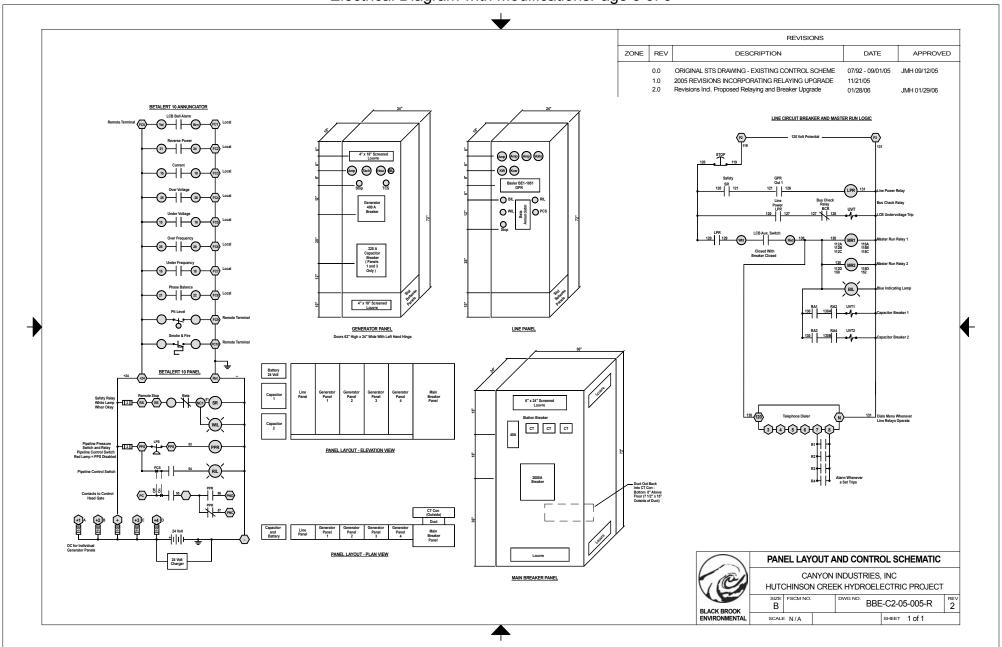


Exhibit D

MONTHLY RATE - A basic charge of \$5.50 (single phase) or \$13.60 (three phase) will be paid by (1) the Company to Puget. This will be in addition to the basic charge for electric service at the Company's facility as specified in Puget's applicable tariff.

RATES FOR PURCHASE OF ENERGY - The monthly rate per kwh which Puget will pay for energy supplied to Puget by the Company will be either a) the Production Proxy Price or, b) the Market Price, whichever is lower, less 5.0% for balancing costs.

The Production Proxy Price is the Heat Rate of a combustion turbine times the Forward Gas Price divided by 1000, where the Heat Rate is equal to 10.2, and the Forward Gas Price is equal to the "first of the month" index price for Northwest Pipeline - Sumas as reported in Inside FERC Gas Market Report.

The Market Price is the hour-weighted average of the "Non-Firm On-Peak, "Non-Firm Off-Peak and "Sunday and NERC Holidays" of the Dow Jones Mid-Columbia Electricity Index for each day of the relevant billing Month divided by 1000.

Exhibit E - Sample Calculation of amount payable for monthly energy

Hourly Net Project Ger	n in KW											•						
Hour v Da	y > 1	2	3	4	5	6	7	8	9	24	25	26	27	28	29	30	31	Month Tot
100	394.15	361.11	362.10	362.91	359.90	361.68	364.08	362.23	361.45	372.15	371.30	363.19	363.23	361.52	374.26	374.37	371.48	11,332
200	394.11	361.19	361.65	361.79	361.75	361.71	362.48	360.95	360.99	371.80	373.49	363.19	360.48	361.22	373.91	372.98	372.86	11,365
300	393.42	369.06		362.10	363.62	361.72	362.27	369.45	366.71	371.79		370.86	365.63	371.33	374.30		374.36	11,472
400	396.21		371.41	367.17	372.59	365.93	365.88	369.89	368.36	369.54		371.52		371.25	371.90		375.49	11,504
500	393.82		368.31	367.55	368.23	367.94	366.21	365.66	367.05	368.96		370.49	369.20	368.50	369.81		371.87	11,426
600	384.43	365.12		363.72	368.81	366.65	365.12	365.78	366.54	369.37		370.17	369.60	367.07	369.99		371.78	11,393
700	391.16	359.33		361.37	365.47	366.81	361.61	361.89	365.26	372.49		374.14		365.55	372.78		374.40	11,449
800 900	382.52		360.54	357.79	359.02	361.80	357.83	358.52	360.79	359.36		367.73	363.11	356.60	363.57		366.35	11,250
1000	339.23 311.28		355.79 351.45	355.70 347.27	356.31 349.27	358.11 356.97	356.60 355.60	357.52 355.85	358.38 358.10	357.87 358.30	356.95 355.50	357.21 359.75	357.59 356.43	355.13 354.27	358.78 359.03		356.47 356.66	11,088 11,011
1100	308.22	349.50		341.19	349.27	350.70	346.99	350.01	356.97	356.32		359.75	352.00	357.60	358.02		355.56	10,894
1200	311.65		346.65	341.19	340.36	342.82	348.52	350.01	357.63	356.06		344.24	343.36	352.28	359.65		355.00	10,856
1300	311.35	346.82		346.29	341.16	349.88	348.93	351.85	357.44	355.74		346.02	345.42	347.75	358.51		357.13	10,906
1400	314.86	351.20		349.64	346.42	350.47	349.85	353.79	359.84	357.93		349.37	343.85	353.15	357.37		357.35	10,956
1500	327.27	354.89		348.18	346.38	350.11	347.95	354.23	360.50	354.31	351.05	347.40	345.24		359.63		356.91	10,914
1600	329.75	348.39		342.29	345.88	348.33	350.69	348.66	358.18	353.28	350.69	344.90	341.78	350.81	357.48		354.75	10,825
1700	332.96	349.20		345.55	344.82	356.08	347.99	348.46	358.25	352.44		349.34	342.39	351.96	361.07	357.94		10,813
1800	336.92	346.10	341.94	339.66	340.08	353.24	347.03	349.20	354.86	354.55	350.66	345.61	344.41	353.74	366.23	360.17	355.37	10,797
1900	339.05	345.78	348.38	342.35	339.89	351.16	349.49	352.15	357.25	356.35	351.14	348.03	345.32	356.27	368.36	359.34	357.14	10,846
2000	341.67	350.82	354.16	347.80	344.26	352.34	351.00	354.60	357.64	360.18	349.34	349.26	347.14	356.18	363.92	361.23	356.74	10,888
2100	352.07	350.78	351.58	343.66	349.14	353.48	354.85	358.74	357.25	357.40	355.23	351.35	350.39	356.39	364.20	363.99	355.91	10,940
2200	354.39	354.12		350.03	354.24	355.59	357.90	358.17	360.26	358.83	360.65	359.25	359.06	356.52	364.23		359.30	11,046
2300	359.83	360.22		356.04	358.95	363.12	360.09	359.56	365.39	359.96		359.95	358.92	358.74	368.54		359.07	11,131
2400	361.35		368.15	357.63	361.49	362.22	361.61	360.80	368.46	363.16		360.81	361.42	370.85	372.47	370.79		11,227
Sum in KWH	8,462	8,525	8,531	8,459	8,478	8,569	8,541	8,578	8,664	8,668	8,634	8,575	8,529	8,609	8,768	8,763	8,690	266,328
Off Peak Hrs 1-6 & 23,	24 3,077	2,921	2,925	2,899	2,915	2,911	2,908	2.914	2,925	2,947	2,957	2.930	2.920	2,930	2,975	2,969	2,964	90,850
On-Peak Hours 7-22	5,384	5,604	5,606	5,560	5,563	5,658	5,633	5,664	5,739	5,721	5,677	5,644	5,608	5,679	5,793	5,794	5,727	175,478
Sum in KWH	8,462	8,525	8,531	8,459	8,478	8,569	8,541	8,578	8,664	8,668	8,634	8,575	8,529	8,609	8,768	8,763	8,690	266,328
<u> </u>	0,102	0,020	0,001	0,100	0, 0	0,000	0,011	0,0.0		0,000	0,00	0,0.0	0,020	0,000	0,. 00	0,1.00	0,000	200,020
Non-Firm MidC Index \$/	<u>Mwh</u>																	
Off-Peak	60.400	49.000	62.800	45.000	44.630	48.300	56.490	50.500	52.000	38.920	45.000	43.130	56.810	41.000	55.000	42.400	44.500	
On-Peak	50.050	63.970	60.320	48.000	45.000	40.670	61.380	63.850	48.000	49.220	51.720	47.210	62.210	88.600	56.080	63.360	55.300	
Market Price																		
Amt for Off-Peak Purch	(\$) 185.87	143.13	183.71	130.45	130.11	140.60	164.26	147.17	152.10	114.69	133.07	126.38	165.90	120.15	163.63	125.87	131.89	4,467.45
Amt for On-Peak Purch	(\$) 269.49	358.48	338.14	266.89	250.34	230.11	345.74	361.64	275.45	281.61	293.60	266.47	348.89	503.15	324.86	367.14	316.68	9,643.92
																	Г	\$14,111.37
Weighted Average Mar	ket Price for I	Month in S	\$/Mwh d	ivided by	/ 1,000												Į	\$ 0.05298
Draduation Draw	Drice								•••									
Production Proxy):!:		ا داده ا	-EDC C	Manlant F												¢ 5.04
First of the Month Index	FIICE TOT INVV F	ripeline as	reporte	u msidė F	EKC Gas	iviarket F	кероп		•••									\$ 5.91
Heat Rate Production Proxy Price in \$/Mwh/1,000															Ī	10.2 \$ 0.06028		
i roduction Froxy Price	- 111 φ/1 9 11 9 11/11/11/1								•••								ŀ	φ 0.00020
Lower of Market Price	or Production	Provy Pr	ice in ¢	Mwh div	ided by 1	000			•••								ŀ	\$ 0.05298
Lower of Market Price or Production Proxy Price in \$/Mwh divided by 1,000 Amount due Hutchinson Hydro for Month								•••	266,328	х	\$ 0.05298	х	0.95	_	13.60	ļ	\$ 13,390.95	
Amount due nutchins	on riyuro ioi i	nonui							•••	200,020	^	ψ 0.03230	^	0.55	-	13.00		ψ 10,000.00

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Loss Calculations

The compensation formula uses the measured VA and V at the interconnection point, and the circuit impedance calculated on the circuit between the interconnection point, and the point where the average circuit load is half the generator peak output. This point is approximate, and does not recognize VAr loss all the way to the substation. The VAr charged to Company is the amount that is higher than 0.95 power factor calculated in each hour.

The point of interconnection is at 480 V. The 480-34,500 V transformer reactance is 0.01267 ohms from the 480 V side. The 34.5 kV circuit impedance from the transformer to where the circuit intersects the Mosquito Lake Road is 2.835 +j 1.373 ohms. Reflected to the 480 V point of interconnection and summed with the transformer reactance, the circuit impedance is 0.000549 +j 0.01294. This is used as the R and X values in the following calculations.

The formula for *watts* losses is:

$$Watt_{loss} = \frac{VA^2}{V_{line-to-line}^2} \times R$$

Where VA, and $V_{line-to-line}$ are as measured at the 480 V point of interconnection, and R is 0.000549 ohms.

The formula for *VAr* losses is:

$$VAr_{loss} = VAr_{in-to-generator} + \frac{VA^{2}}{V_{line-to-line}^{2}} \times X - W \times 0.3287$$

Where $VAr_{in-to-generator}$, VA, $V_{line-to-line}$, and W are as measured at the 480 V point of interconnection, and X is 0.01294 ohms. The $W \times 0.3287$ term credits VAr consumption by the generator down to a power factor of 0.95.

EXHIBIT F - Page 2 of 2

Sample Calculations

Power Factor 80%

Voltage at Meter 480 volts (**V**) Real Power 500000 watts (**W**)

Complex Power 625000 volt-amps (VA)

Reactive Power 375000 volt-amps-reactive (VAr)

Reactance (**X**) 0.01294 Resistance (**R**) 0.000549

Formula for VAr losses:

 $VAr_{loss} = VAr_{in-to-generator} + VA^2 / V^2_{line-to-line} \times X - W \times 0.3287$

VAr loss 232,589

VAr Charge per

kvarh 0.098 Cents

VAr Charge \$0.23

Formula for watts losses:

 $Watt_{loss} = VA^2 / V^2_{line-to-line} \times R$

Watt loss 931